

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

COME-00 FEA-02 INT-08 SCI-06 NEA-11 AF-10 AGR-20

CEA-02 CIAE-00 DODE-00 EB-11 FRB-02 H-03 INR-10 L-03

LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02

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TO SECSTATE WASHDC IMMEDIATE 6327

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME PRIORITY

AMEMBASSY THE HAGUE PRIORITY

USMISSION OECD PARIS

C O N F I D E N T I A L EC BRUSSELS 0482

STATE ALSO FOR T/IEP

E.O. 11652: GDS

TAGS: ENRG, EEC, XF

SUBJECT: EC COMMISSION PAPER ON COOPERATION AGREEMENTS
WITH OIL PRODUCERS

REF: A) EC BRUSSELS 7243 (1973)

B) EC BRUSSELS 473

C) BONN 1134

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D) ROME 1094

E) THE HAGUE 386

1. SUMMARY. IN ADDITION TO THE PAPER ON PREPARATIONS FOR THE WASHINGTON ENERGY CONFERENCE, THE COMMISSION APPROVED AND FORWARDED TO THE COUNCIL ON JANUARY 24 A PAPER SETTING FORTH PROPOSALS FOR COOPERATION AGREEMENTS BETWEEN THE EC AND PRODUCER COUNTRIES. THESE AGREEMENTS WOULD AIM AT ESTABLISHING STABLE ARRANGEMENTS FOR ENERGY SUPPLY AND PRICES AND PROVIDE FOR DEVELOPMENT LINKS BETWEEN EUROPE AND THE PRODUCERS. THE COMMISSION SEES THE TWO PAPERS AS COMPLEMENTARY AND HOPES THE COUNCIL WILL APPROVE BOTH AT ITS FEBRUARY 4-5 MEETING. END SUMMARY.

2. DAVID HANNAY, CHEF DE CABINET TO EC COMMISSION VICE PRESIDENT SOAMES, HAS BRIEFED US ON A PAPER SUBMITTED TO THE COUNCIL BY THE COMMISSION ON JANUARY 24 REGARDING COOPERATION AGREEMENTS BETWEEN THE COMMUNITY AND OIL-PRODUCER COUNTRIES. WE WILL FORWARD THE TEXT OF THE PAPER AS SOON AS IT IS AVAILABLE.

3. HANNAY BEGAN BY RECALLING THE REFERENCE IN THE STATEMENT ISSUED AFTER THE COPENHAGEN EC SUMMIT MEETING CONFIRMING "THE IMPORTANCE OF ENTERING INTO NEGOTIATIONS WITH OIL-PRODUCING COUNTRIES ON COMPREHENSIVE ARRANGEMENTS COMPRISING COOPERATION ON A WISE SCALE..." IN RESPONSE TO THAT DIRECTIVE, THE COMMUNITY HAS PROCEEDED IN TWO PARALLEL CHANNELS--THE POLITICAL DIRECTORS HAVE DISCUSSED THE COMMUNITY'S RELATIONS WITH THE MIDDLE EAST IN THE FRAMEWORK OF EC POLITICAL COOPERATION AND THE COMMISSION HAS BEEN PREPARING PROPOSALS IN THE EC INSTITUTIONAL FRAMEWORK. THE POLITICAL DIRECTORS HAVE DISCUSSED COMMUNITY RELATIONS WITH ALL ARAB STATES (NOT JUST THE OIL PRODUCERS), ECONOMIC AID FOR RESETTLING MIDDLE EAST REFUGEES AND RECONSTRUCTION, AND THE POSSIBILITY OF A MINISTERIAL LEVEL MEETING. (SEE REFTELS C,D, AND E.)

4. THE COMMISSION'S PAPER, PREPARED IN RESPONSE TO THE COPENHAGEN DIRECTIVE, PROPOSES A FRAMEWORK IN WHICH DISCUSSIONS WITH ALL ENERGY-PRODUCING COUNTRIES COULD BE FITTED. WHILE THIS MEANS ESSENTIALLY ARAB COUNTRIES AND IRAN AT PRESENT, IT WOULD SERVE FOR FUTURE DISCUSSIONS WITH OTHER PRODUCING COUNTRIES AS WELL. HANNAY PARTICULARLY EMPHASIZED THAT THE PAPER STATES CONFIDENTIAL

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THAT EC COOPERATION AGREEMENTS WITH ENERGY-PRODUCING COUNTRIES SHOULD NOT PROVIDE FOR NEW PREFERENTIAL TRADING ARRANGEMENTS.

5. HANNAY SAID THE PAPER INDICATES THAT THE AGREEMENTS SHOULD CREATE STABLE ARRANGEMENTS FOR ENERGY SUPPLY AND PRICES. THEY SHOULD ALSO PROVIDE FOR DEVELOPMENT LINKS WHICH SHOULD BE ESTABLISHED BETWEEN EUROPE AND THE PRODUCING COUNTRIES, INCLUDING INVESTMENTS BY EACH PART IN THE OTHER'S AREA, TRAINING IN

EUROPE OF PERSONNEL FROM THE PRODUCER COUNTRIES, TECHNICAL ASSISTANCE, MAXIMUM USE OF THE GENERALIZED PREFERENCES SCHEME, MIXED COMMISSIONS FOR SUPERVISING OPERATION OF THE COOPERATIVE AGREEMENTS, AND FAVORABLE TARIFFS ON AN MFN BASIS FOR PRODUCER COUNTRY PRODUCTS.

6. ACCORDING TO HANNAY, THE COMMISSION'S PAPER ACKNOWLEDGES THE EXISTENCE OF BILATERAL AGREEMENTS BETWEEN MEMBER STATES AND PRODUCER GOVERNMENTS BUT SAYS THAT THESE AGREEMENTS ARE NOT THE BEST WAY FOR THE COMMUNITY TO PROCEED IN ITS RELATIONS WITH THE PRODUCERS. IT STATES THAT FURTHER USE OF BILATERAL AGREEMENTS SHOULD BE AVOIDED IN ORDER TO MINIMIZE THE PROBLEMS WHICH THEY BRING TO COMMUNITY SOLIDARITY.

7. HANNAY STATED THAT THIS PAPER ON EC COOPERATION WITH PRODUCER COUNTRIES SHOULD BE READ TOGETHER WITH THE COMMISSION'S PAPER ON THE COMMUNITY'S PREPARATIONS FOR THE WASHINGTON ENERGY CONFERENCE. THE LATTER WAS ALSO APPROVED BY THE COMMISSION ON JANUARY 24 (SE EC BRUSSELS 470). HE SAID THE COMMISSION SEES THESE TWO PAPERS AS COMPLEMENTARY IN THE CONTEXT OF THE ENERGY CRISIS. THE COMMISSION FEELS THAT THE COMMUNITY MUST HAVE ITS OWN RELATIONS WITH THE PRODUCERS, AND IT IS INEVITABLE THAT THESE RELATIONS WILL BE SOMEWHAT DIFFERENT THAN THOSE BETWEEN THE UNITED STATES AND THE PRODUCERS. HOWEVER, HANNAY STATED, RELATIONS OF THE TWO SIDES OF THE ATLANTIC WITH THE PRODUCERS SHOULD IN NO WAY BE INCOMPATIBLE. HANNAY CONCLUDED THAT THE COMMISSION'S HOPE IS THAT THE FEBRUARY 4-5 EC COUNCIL MEETING, IN ADDITION TO APPROVING THE COMMISSION'S PROPOSALS REGARDING THE COMMUNITY POSITION AT THE WASHINGTON CONFERENCE, WILL ADOPT THIS PROPOSAL AS A STATEMENT OF COMMUNITY POLICY. GREENWALD

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